

A large, light gray, stylized letter 'P' is positioned in the background of the right half of the cover, behind the title text.

PUBLIC  
EMPLOYEES'  
RETIREMENT  
FUND

2004  
Member Handbook

*Funding your future.*

143 WEST MARKET STREET • INDIANAPOLIS, IN 46204



GOVERNOR, JOSEPH E. KERNAN

BOARD OF TRUSTEES:

*Jonathan Birge*

*Richard Doermer*

*Garland Ferrell*

*Connie Thurman*

*Robert V. Welch, Jr.*

EXECUTIVE DIRECTOR:

*Craig E. Hartzler*

PUBLICATIONS:

*Editorial:*

*Patrick W. Lane  
Director of External Affairs*

*Martha Poitevin Page  
Publications Specialist*

*Layout/Graphics:*

*Lisa M. Barton  
Design Specialist*

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whose contributions made this handbook possible.*

*If you do not find the answers to your  
questions in this handbook, or on the web,  
you can contact the PERF Call Center.*

**1-888-526-1687**

*Regular business hours are Monday  
through Friday, 8:00 a.m. to 5:00 p.m.*

MAILING ADDRESS:

**143 WEST MARKET STREET  
INDIANAPOLIS, IN 46204**

EMAIL:

**QUESTIONS@PERF.IN.GOV**

WEB ADDRESS:

**WWW.PERF.IN.GOV**

*PERF also provides educational sessions  
across the state with Outreach Representatives  
who will make presentations to groups of  
members or employers. Check with your employer  
to find out if a session can be scheduled for  
you and your co-workers.*

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**Welcome to the Public Employees' Retirement Fund Member Handbook.**

You will learn about the opportunities and responsibilities of membership in the Fund, options available to you during your career in public service, and your benefits when and if you retire.

We urge you to read this handbook completely in order to understand the overall benefits of PERF membership. You may make photocopies of all information provided.

The best way to find the most current information is to use the PERF website at [www.perf.in.gov](http://www.perf.in.gov).

*The laws and regulations governing the Indiana Public Employees' Retirement Fund may be found in Title 5-10.2 and 5-10.3 of Indiana Code.*

*While every attempt has been made to verify that all the information in this handbook is correct and up-to-date, PERF does not make any representation or warranty as to the completeness or accuracy of any information provided herein. The content of this handbook does not constitute legal advice, and nothing herein should be considered a legal opinion. In the event of a discrepancy between information in this handbook and the laws of the state of Indiana, the applicable state law shall apply.*

## PERF ADMINISTRATION

Founded in 1945, Indiana PERF is now one of the largest pension funds in the United States— both public and private. PERF administers six funds, including the namesake Public Employees' Retirement Fund.

The Fund works with more than 1,100 participating employers across the state in serving approximately 230,000 active members, 56,000 benefit recipients, and their families. Benefits paid by the Fund come from the contributions of public employers and members, and returns on the investment portfolio.

PERF is responsible for receiving contributions from employers and members, investing those funds in a prudent manner, and paying benefits to qualifying members. Since 1996, PERF has been authorized by state law to invest the assets of the Consolidated Retirement Investment Fund (CRIF) in the stock market.

The five members of the PERF Board of Trustees are appointed to four year terms by the governor. At least one of the trustees must have at least ten years of service credit with the Fund, and one must be either a member of a collective bargaining unit that represents state employees or an officer of a union that represents state employees.

Board members serve as the “fiduciaries” of the Fund, which means they are legally bound to make investment decisions with your best interest at heart. Professional money managers invest PERF assets. The better the Fund does in investing contributions, the less your employer has to contribute in order to fund your future benefits.

## IMPORTANT TERMS

### ***Public Employee***

Employees of the state of Indiana, public schools and universities, and other state and local political subdivisions. Employees of private companies are not eligible for membership.

### ***A PERF-Covered Position***

Any job for which an employer makes contributions to the Public Employees' Retirement Fund to fund the Defined Benefit (pension).

### ***Contributions***

Funds paid to PERF by employers and/or employees to fund future benefits.

### ***Mandatory Contributions***

Contributions to the Annuity Savings Account that must be made as required by state law.

### ***Voluntary Contributions***

Contributions to the Annuity Savings Account that a member may choose to make through payroll deductions, if their employer participates in the program.

### ***Creditable Service***

Each period of continuous employment in a covered position. Creditable service is important in determining your qualification for benefits.

### ***Vesting or Vested***

The minimum amount of time you must work in one or more covered positions to receive a benefit from a retirement fund.

### ***Beneficiary***

The person or institution receiving all or part of your PERF benefits upon your death.

LOOK FOR THESE  
ICONS IN THIS  
HANDBOOK:

ASA

FOR  
ANNUITY  
SAVINGS  
ACCOUNT  
INFORMATION

DB

FOR  
DEFINED  
BENEFIT  
(PENSION)  
INFORMATION

F

FOR FORMS  
THAT ARE  
AVAILABLE ON  
THE WEBSITE

!

FOR VERY  
IMPORTANT  
NOTICES

# Section 1

## TWO-PART BENEFIT STRUCTURE

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*Defined Benefit (Pension)*

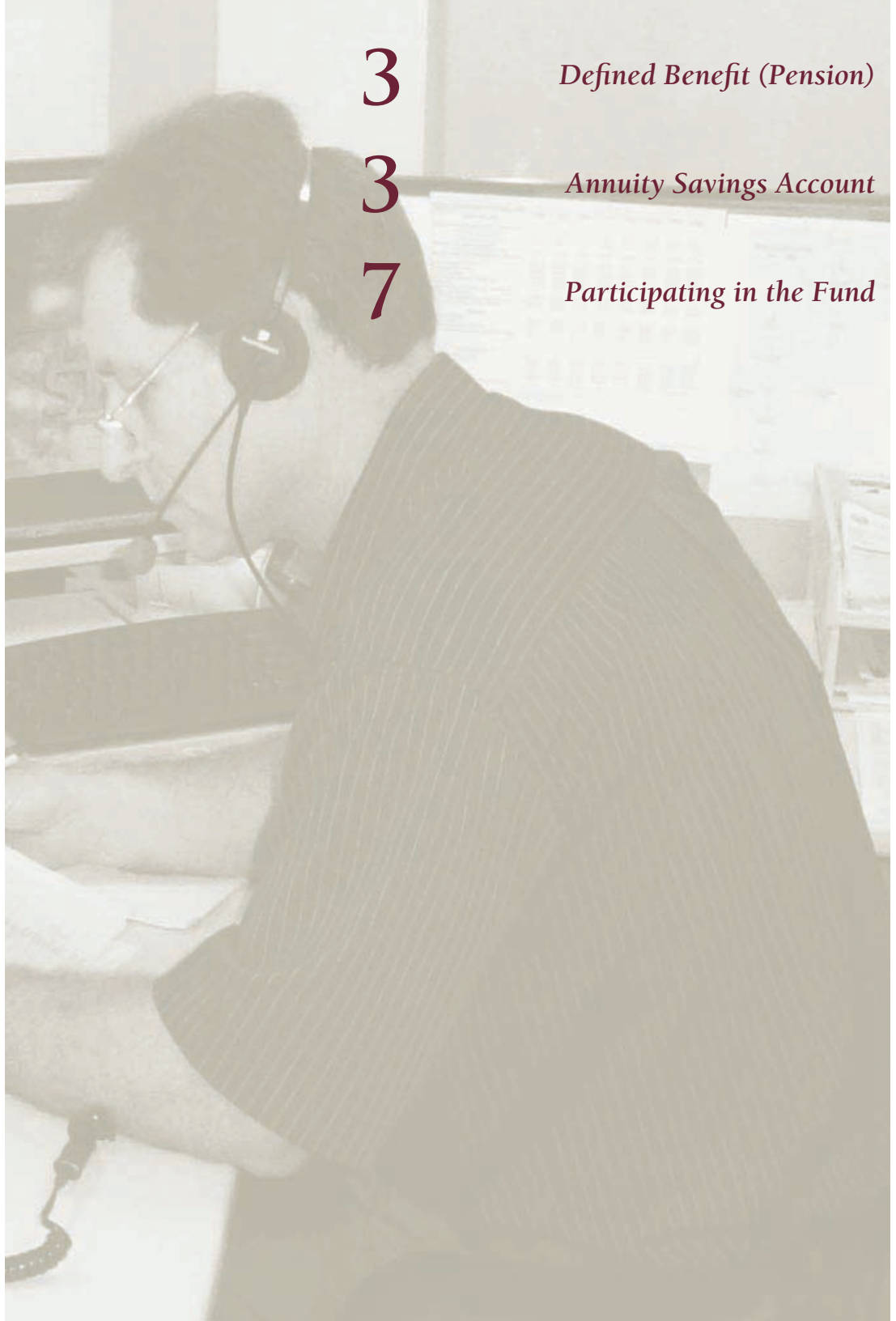
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*Annuity Savings Account*

7

*Participating in the Fund*

*PERF Call Center  
Representatives  
respond to more than  
8,000 inquiries  
each month*



## Two-Part Benefit Structure

Membership in PERF means you are working toward earning a retirement income. You and your employer may share in paying for this benefit. However, this depends upon how your employer participates in PERF. **There are two pieces making up the PERF benefit structure:**

- **The Defined Benefit (pension), and**
- **The Annuity Savings Account**

DB

### DEFINED BENEFIT (PENSION)

This portion of your PERF benefits is funded entirely by your employer at no cost to you, and remains an employer asset. When a member applies to receive a retirement benefit, the employer account will be used to fund those retirement benefits. Members who choose to leave PERF-covered service and do not become eligible to receive a retirement benefit cannot withdraw these funds. Since this is a relationship between PERF and employers, you will not be asked to make any decisions regarding the management of Defined Benefit contributions.

ASA

### ANNUITY SAVINGS ACCOUNT (ASA)

The second part of the PERF benefits structure is the Annuity Savings Account (ASA). It serves to supplement the Defined Benefit at retirement, and is an important way of increasing your retirement savings. However, if you leave covered employment before becoming eligible to receive a retirement benefit, you may take a distribution of your Annuity Savings Account.

Within the Annuity Savings Account there are two types of contributions—mandatory and voluntary. The mandatory portion can be paid by the employer, the employee, or shared by both. The voluntary portion is optional and available to members who work for an employer who participates in the voluntary contributions program.

#### **Mandatory Contributions**

State law requires that 3% of an employee's gross wages (regular and overtime pay) must be contributed to fund the Annuity Savings Account.

- **If you work for the State, a quasi-governmental agency, or a university, the 3% is paid by your employer before taxes are calculated on your wages.**
- **For all other employers, the 3% may be deducted from your paycheck, or your employer may pick up all or part of this mandatory 3% contribution. The governing body of the employer makes this decision, and may change it at any time.**



Whether deducted or paid by the employer, this is a **mandatory** contribution to benefit each member of the fund. It is sent to PERF for deposit in your Annuity Savings Account each quarter, as mandated by state law.

**You become vested in the ASA immediately and contributions are credited to an individual account in your name. However, you can only withdraw funds from your Annuity Savings Account as a distribution when you separate from PERF- covered employment or at retirement. YOU CANNOT TAKE A LOAN AGAINST YOUR ANNUITY SAVINGS ACCOUNT.**



## Voluntary Contributions

You may also be able to make additional contributions to your Annuity Savings Account if your employer's governing body has decided, by resolution, to allow payroll deductions for this purpose. The employer can make this decision at any time, and may choose to stop payroll deductions at any time. Voluntary contributions to the ASA must be made through your employer through a payroll deduction. The maximum for all types of voluntary contributions is 10% of gross wages in addition to the 3% mandatory contribution.

### Post-Tax Voluntary Contributions

A post-tax contribution is taken out of your check after all taxes have been paid on your gross wages. Your take home pay would be reduced by the total amount contributed. For you to make post-tax voluntary contributions, your employer must simply agree to deduct the amount requested (up to 10%). That money is then sent to PERF as a contribution to your ASA. You may choose to stop making **post-tax** voluntary contributions, or change the amount deducted at any time.

### Pre-Tax Voluntary Contributions

The Internal Revenue Service has given its approval for the Public Employees' Retirement Fund to begin accepting voluntary contributions on a **pre-tax** basis, as well.

**You are urged to carefully consider all the conditions and consequences of pre-tax contributions, because making changes later is severely restricted.**



The conditions that apply to pre-tax contributions include:

- **Your employer must have elected to participate in this program.**
- **You must have five years of creditable service in PERF.**
- **You must choose to make a voluntary pre-tax contribution of not more than 10% of your gross wages within two years following the date of August 31st after you have reached five years of PERF-covered service.**
- **The percentage of each pay period's wages that you choose to contribute pre-tax CANNOT be changed as long as you work for the same employer in any PERF-covered position.**

## Two-Part Benefit Structure

- *If you leave employment and return to the same employer, your pre-tax contribution will be reinstated.*
- *If you work for a different PERF employer, and have not taken an ASA distribution, you will be able to make a new pre-tax contribution decision.*
- *Your employer could choose to discontinue pre-tax contributions, which would allow you to discontinue making them.*



**Further details on this option are available on the PERF website ([www.perf.in.gov](http://www.perf.in.gov)).**

### Self-Directed Investment Options

The PERF Annuity Savings Account program allows members to actively participate in managing their retirement benefits through self-directed investment options. Mandatory and voluntary contributions to your account are invested according to your choices in one or more of the six options available through PERF:

- 1. Guaranteed Fund**
- 2. Money Market Fund**
- 3. Bond Fund**
- 4. S&P 500 Stock Index Fund**
- 5. U.S. Small Companies Stock Fund**
- 6. International Equity Index Fund**

You may choose among these options for the first time when you enroll in PERF. Your employer should provide you with the Investment Direction Form at that time.



***If you do not submit these choices to PERF, all ASA contributions will automatically be invested in the Guaranteed Fund.***

By state law, you may change your investment options quarterly. A signed Investment Direction Form must be received by PERF no later than 30 days prior to the beginning of the following quarter.

You direct PERF to invest a portion of your account (present balance and future contributions) into any or all of the investment funds in 10% increments. These investment options have grown in number over the years as the PERF

Board of Trustees has added new asset classes to the investment of the overall PERF portfolio.

### ***Quarterly Statements***

PERF mails a quarterly member statement for the Annuity Savings Account to each member of the Fund. You will receive these statements as long as you have money invested in your Annuity Savings Account— even if you are no longer employed in a PERF-covered position. ***This is one reason why it is so important to maintain a correct address with the Fund.***

The statement shows how much you have contributed and any change in value to your holdings. You do not pay federal income tax on mandatory or pre-tax voluntary contributions, interest, or earnings while you are an active member. Tax obligations apply when payment is made to the member as a retirement benefit or an Annuity Savings Account distribution.

Many members assume that the amount shown on the quarterly statement is the entire benefit they would receive if they were to retire. It is important to remember the largest portion of retirement income will come from the Defined Benefit (pension), which is not shown on the statement. If you are within one year of becoming eligible for PERF retirement benefits, you may request an estimate of benefits that will give you an idea of the amount of your total retirement benefit under PERF.

### ***Rollovers Into PERF***

Members will soon be able to deposit with PERF funds rolled over from any of the following:

- ***A qualified plan described in IRS Section 401(a), 403(a), an annuity contract or account described in Section 403(b).***
- ***An eligible plan maintained by a state or political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under IRS Section 457(b).***
- ***An Individual Retirement Account (IRA) described in IRS Section 408(a) or 408(b).***

These rollover funds may be invested in any of the current investment options except for the Guaranteed Fund. They may be withdrawn at any time prior to retirement. At retirement, these funds may be combined with your pension and ASA as part of your total benefit. PERF anticipates being able to accept rollovers no later than January 2005.

## Two-Part Benefit Structure

### PARTICIPATING IN THE FUND

#### *Membership Eligibility*

Your employer chose to join PERF. It also chose the positions that are covered under the PERF plan. Therefore, you become eligible for PERF membership when you begin employment in a position your employer chose to cover under the PERF benefits structure.

For a position to be PERF-covered, making you eligible for membership, the position must be:

- ***Full time,***
- ***Permanent,***
- ***Specified in a resolution passed by the employer's governing body, and***
- ***Not covered by another public retirement or pension plan***

#### *Enrollment*

When you begin working in a PERF-covered position, you and your employer will complete a Membership Record informing PERF that you have become employed in a covered position and will begin participation in the Fund. That is all you have to do to become enrolled. PERF will open an Annuity Savings Account in your name and you formally become a member of the Fund.

#### *Naming Beneficiaries*

You immediately begin saving toward your retirement when you become a member of PERF. When you enroll, you may name a beneficiary to receive the assets remaining in your Annuity Savings Account in the event you that die. You may name one or more individuals, a trust, estate, or other legal entity, such as a charity. If no beneficiary is named on this form, any assets would pass to your estate.

#### *Changing Your Personal Information*

***As long as you have assets with the Fund, it is critical that you keep PERF informed of any changes to your name, address or beneficiaries.***

#### **F**

***Beneficiaries***— You may change the beneficiary of your Annuity Savings Account at any time before you retire. You must sign any change request. No changes to your beneficiary designation can be made over the phone. Your employer cannot make a change for you. Your employer's form can be mailed to PERF, but that form must include your signature.

*The importance of reporting any change of beneficiary cannot be overemphasized. Failure to make changes could result in payment being made to a named beneficiary who is no longer your choice to receive your Annuity Savings Account balance.*

**Name/Address**— The address on file in PERF's records is the only contact information we have for you. Throughout your working life, you will receive a quarterly statement from PERF. If you leave PERF-covered employment, you may be eligible to receive a distribution of your Annuity Savings Account. Therefore, you must report any change of address directly to PERF in a document that includes the following:

F

- **Social Security Number,**
- **Previous Name and/or Address,**
- **New Name and/or Address, and**
- **Printed Name and Signature.**
- **Employer's Name should also be included.**

**A change of name request must be accompanied by the appropriate legal documentation such as a court order, divorce decree, or marriage license.**

!

## Life Events

### Divorce

Indiana law prevents assigning PERF benefits. Accordingly, PERF cannot honor any divorce decree which requires it to pay anyone other than you or your named beneficiary. In order to be consistent with the laws governing PERF, and in order to satisfy Indiana's domestic relations laws, divorce decrees should order you (or your legal beneficiary) to make payments to an ex-spouse rather than ordering PERF to make such payments. In addition, Indiana law prohibits PERF from garnishing your benefit for child support payments.

### Qualified Domestic Relations Orders (QDRO's)

Under state law, benefits in the Fund are exempt from any legal process. QDRO's do not apply to PERF. Even though they are the product of federal legislation, which normally supersedes state law, they do not apply to PERF since it is a governmental plan exempt from the QDRO requirements.

## Two-Part Benefit Structure

### VESTED STATUS

#### *Vesting for Specified Elected Officials*

*County officials named in the Indiana Constitution and limited by law to two four-year terms in office will vest after eight years.*

Vested status in the Public Employees' Retirement Fund means you have at least 10 years of creditable service in PERF-covered employment. You will be entitled to full pension benefits when you meet these age and service requirements:

- **Age 65 with 10 years of creditable service,**
- **Age 60 with 15 years of creditable service, and**
- **At least age 55 and the sum of your age at retirement and your total years of creditable service under PERF equals 85 or more (known as the "Rule of 85").**

You do not have to work for the same employer and the jobs do not have to be for 10 consecutive years, in order to reach vested status. A total of 10 years in any combination of positions for which an employer makes contributions qualifies as creditable service for vesting purposes.



***You become vested for the Annuity Savings Account immediately.***

### CREDITABLE SERVICE

You receive service credit for each period of continuous employment in a covered position. In addition, you may be entitled to service credit during military service and certain types of leave.

All members, except school corporation employees, must work 12 months in a PERF-covered position to obtain one year of service credit. A school corporation employee who works the full school term or contract period for a position will receive credit for one year of service. Otherwise, service credit for school corporation employees will be granted for actual time worked.

#### *Teaching Service*

If you retire with service in both PERF and the Indiana State Teachers' Retirement Fund, you will receive a single, combined benefit from the fund where you completed your final service. When you complete your final service, your pension will be calculated on the basis of combined creditable service between the two funds. You will be credited one year for each year of covered service, no matter which fund you participated in at the time of service. Any annuity will be computed on the basis of total amounts credited to both accounts.

## Military Service

Members who served in the United States armed services are eligible for PERF service credit equal to actual military service if they meet all of the following conditions:

- ***Were in a PERF-covered position prior to entering the military;***
- ***Left PERF-covered position and went directly into the United States Armed Services;***
- ***Did not withdraw their Annuity Savings Account; and***
- ***Left the military service and returned to the same employer in a PERF-covered position within 120 days after receiving an honorable discharge.***

Members may also be eligible for service credit if the provisions of the federal Uniformed Services Employment and Re-employment Rights Act (USERRA) cover their military service. The conditions for USERRA eligibility are:

- ***You must have applied for or currently hold a civilian job;***
- ***You must have given written or verbal notice to the civilian employer prior to leaving the job for military training or service except when precluded by military necessity;***
- ***You must not have exceeded the five-year cumulative limit on periods of service;***
- ***You must have been released from service under conditions other than dishonorable; and***
- ***You must have reported back to the civilian job in a timely manner or submit a timely application for reemployment.***

## Purchasing Additional Service Credit

You may purchase additional service credit that can be used toward the calculation of the Defined Benefit if you have worked in a similar position(s) in another state, or have prior military service.

The purchase cost of additional service is calculated on your age, years of service, and salary. Therefore, the sooner you make such a purchase, the lower the purchase cost. You may make the additional service purchase after one year of PERF-covered service. If you separate from service before vesting, the cost of the additional service plus interest will be returned to you.

## Two-Part Benefit Structure

### *Purchasing “Air Time” Service Credit*

If you are vested, you may purchase an additional one year of service credit for every five years of actual accrued service. For example, if you have 15 years of service, you would be allowed to purchase an additional three years of credit. Your retirement benefit would be calculated using a total of 18 years. The cost to purchase this service depends upon your age, years of service, and salary. Payment for this purchase can be made in a lump sum or amortized over five years.

### *Purchasing Out-of-State Service Credit*

State law provides for the purchase of out-of-state service credit with the Public Employees' Retirement Fund if you meet the following qualifications:

- ***You have at least one year of service in a PERF-covered position;***
- ***Prior service in another state in a comparable position that would be creditable service if you had been in Indiana; and***
- ***You are no longer eligible to use those years to claim a retirement from any other retirement system.***

### *Purchasing Military Service Credit*

Active PERF members who served in the United States Armed Forces and were honorably discharged may purchase up to two years of military service credit at actuarial cost. This is in addition to any other military service credit that is granted by law to members.

**F**

***You may make the purchase of service after you have been in the Fund for a period of one year. To determine the cost of purchasing this military service, contact the PERF office.***

**!**

***You may not use any purchased service for vesting purposes. Therefore, to become eligible to retire and receive the Defined Benefit (pension), you still must have 10 years of actual PERF-covered service. The additional purchased service will be used in the calculation of your retirement benefit.***



## ***Leaves of Absence From PERF-Covered Employment***

Fewer and fewer employees stay with the same employer their entire career. Even if they do, situations often arise that force them to take time away from their positions. You may take certain types of leave from a covered position and still earn or retain service credit.

You should be certain to speak with your employer about any leave. Also, check with PERF to find out how your leave will affect your creditable service and eligibility.

### ***Unpaid Leave***

You may be entitled to service credit for unpaid leaves of absence totaling six months or less during any four consecutive years. Your employer must approve this leave and a copy of the grant of leave of absence should be filed with PERF within 90 days after the leave commences. Contact PERF for further information.

### ***Family and Medical Leave Act (FMLA)***

You may also receive credit for up to 12 weeks of leave taken during a calendar year under the Family Medical Leave Act (29 USC 2601, et seq.). If this leave is in addition to the six months of unpaid authorized leave in a four-year period, it is considered creditable only for the purposes of determining eligibility and not for calculating benefits.

### ***Adoption Leave***

You are entitled to up to one year of service credit for Adoption Leave.

### ***Paid Leave***

During a paid leave of absence, employer and employee contributions will be made and creditable service will be granted.

# Section 2

## RECEIVING BENEFITS BEFORE RETIRING

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*Withdrawing Your  
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*Death of a Member*

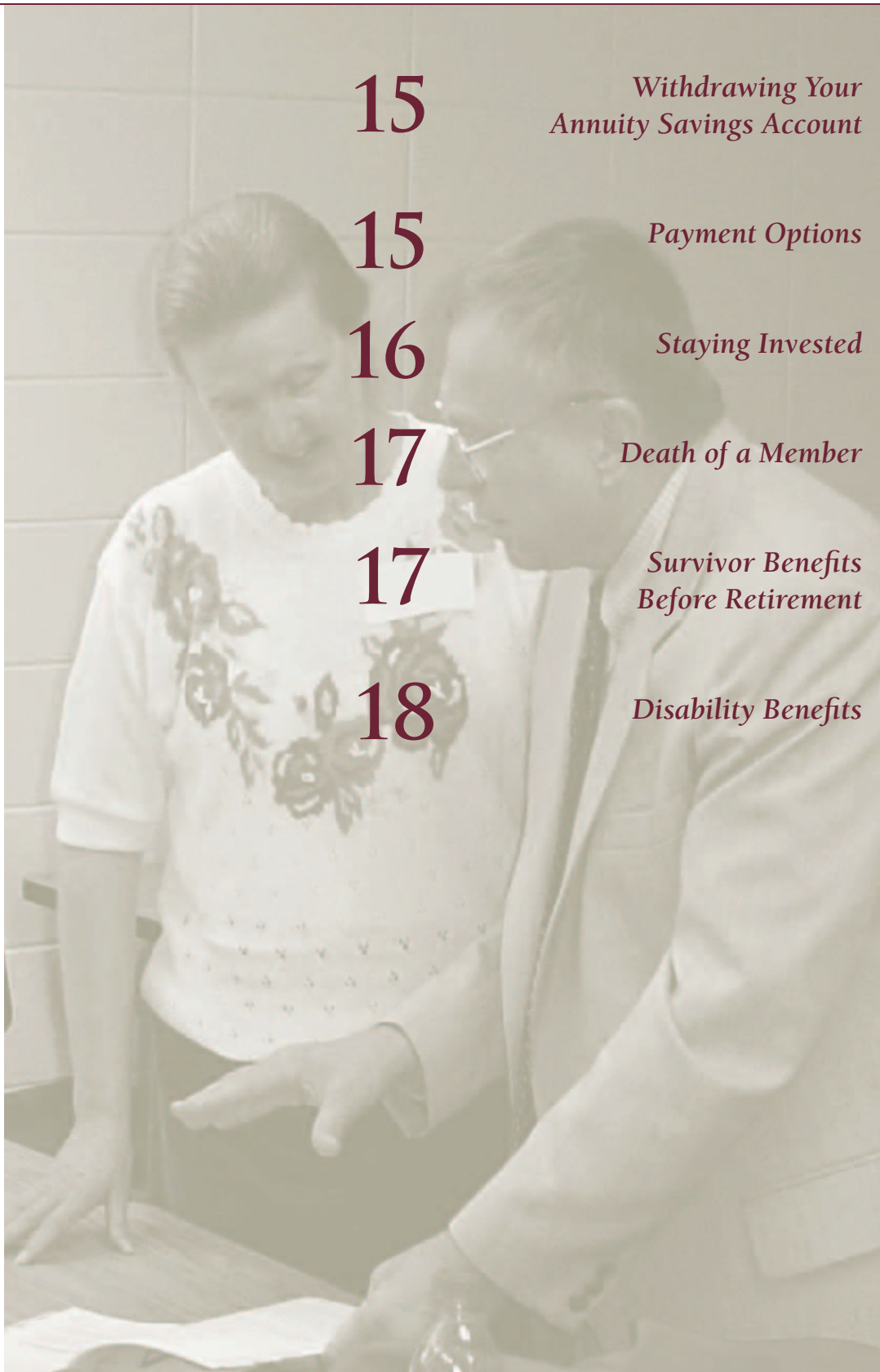
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*Survivor Benefits  
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*Disability Benefits*

*PERF Outreach  
serves 1,100  
employers statewide*



## Receiving Benefits Before Retiring

Leaving PERF-covered employment requires you to make important decisions regarding your retirement savings. This section explains the issues you will need to consider if you leave a covered position and separate from service.



*If you have worked for approximately 10 years in any combination of PERF-covered positions, you should check with PERF to see if you are, or are close to, being vested.*

### WITHDRAWING YOUR ANNUITY SAVINGS ACCOUNT

#### BE ADVISED

***You will give up a future claim to your retirement benefit if you are vested and take a distribution of your Annuity Savings Account before retirement. However, if you return to PERF-covered employment for a period of at least six consecutive months, your claim for a benefit will be reinstated.***

You may withdraw the balance of your Annuity Savings Account (in the form of a refund or rollover to another qualified retirement plan) if you are no longer in a PERF-covered position.

***These withdrawal amounts consist of:***

- ***The 3% mandatory contributions;***
- ***Any voluntary contributions (if applicable); and***
- ***All interest and earnings credited to your account.***

If you continue uninterrupted employment in any capacity (full-time or part-time) in any agency or department of your current employer— regardless of whether your new position is covered under PERF or not— you will not be considered separated from service. ***If you are re-employed in a PERF-covered position within 30 days from the date of termination, you are not eligible for a distribution.***

Taking a distribution depends on several conditions, and can have serious implications on your retirement if you are vested. Although PERF strongly encourages vested members not to withdraw their Annuity Savings Accounts, if you do become vested for the pension benefit and you are not eligible for retirement benefits due to age, you may withdraw your ASA once you separate from PERF-covered employment. ***If you are eligible to receive a Defined Benefit (pension), you may not take a distribution of your ASA without also starting your monthly retirement benefit.***

### PAYMENT OPTIONS

When you apply for an Annuity Savings Account distribution, you must choose how to receive the payment. You must select one payment option for the taxable portion and one payment for the non-taxable portion.

### **Taxable Portion - Direct Rollover**

You may elect to have all or part of the taxable portion of your Annuity Savings Account paid in the form of a direct rollover into an eligible 401(a), 403(b) or governmental 457(b) plan or Traditional IRA, which has provisions allowing it to accept the rollover on your behalf.

This option defers any taxes you owe on your Annuity Savings Account balance. If you choose to rollover only part of the taxable amount, the portion not rolled over is paid directly to you (less the mandatory 20% withholding for federal income tax).

### **Taxable Portion - Paid Directly to the Member**

You may elect to have the total amount of the taxable portion of your Annuity Savings Account (less the mandatory 20% withholding for federal income tax) paid directly to you.

### **Non-Taxable Portion - Direct Rollover**

You may elect to have all or part of the non-taxable portion of your Annuity Savings Account paid in the form of a direct rollover into an eligible Defined Contribution Plan or Traditional IRA, which has provisions allowing it to accept the rollover on your behalf. If you choose to rollover only part of the non-taxable amount, the portion not rolled over is paid directly to you.

### **Non-Taxable Portion - Paid Directly to the Member**

You may elect to have the total amount of the non-taxable portion of your Annuity Savings Account paid directly to you.

You will receive a 1099 by January 31st of the year after you receive your distribution.

**PERF will withhold 20% from your refund of the pre-tax portion paid to you or to your surviving spouse whether or not the IRS levies a 10% penalty. Adjustments may be made for payments made to survivors under special circumstances.**

### **TAX PENALTY – EARLY WITHDRAWAL OF ANNUITY SAVINGS ACCOUNT**

**You may be subject to an additional 10% federal tax penalty on your Annuity Savings Account if you have not reached the age of 59 1/2 at the time of your distribution.**

## **STAYING INVESTED**

When you leave covered employment, you may leave your ASA invested with PERF. You may continue to invest in any of the six available options, and will continue to receive a quarterly statement. However, if you are not vested, investments in the Guaranteed Fund will only be credited with interest for a period of 10 years, after which, no further interest will be credited.

## DEATH OF A MEMBER

When a member dies, PERF must be notified in order to make payments to the appropriate beneficiaries in a timely manner. PERF needs a copy of the death certificate in order to process any distributions of ASA balances or survivor benefits that might be available. Employers may inform PERF of a member's death; however, the death certificate is still required. Employers do not always provide member death notification.



***If you call with information about a member's death, please leave your name, relationship to the member, and telephone number. A death can also be reported by simply sending the death certificate to PERF by mail or fax.***

## SURVIVOR BENEFITS BEFORE RETIREMENT

A PERF survivor benefit was created by the Indiana Legislature for the benefit of survivors of PERF members. Your surviving spouse and/or surviving dependent(s) may be entitled to survivor benefits:

- ***If you have 15 or more years of creditable service and die while in active service, or***
- ***If you would have been eligible to receive retirement or disability benefits but died while out of service and before applying for them.***

If you meet these conditions, and you have been married for at least two years before your death, then your spouse qualifies for a monthly survivor benefit for life. If there is no eligible surviving spouse, your survivor benefit is divided between all surviving dependents who are younger than 18 (or older if the dependent(s) is permanently disabled). If you have neither an eligible surviving spouse nor surviving dependents, then no survivor benefit will be paid.

This benefit is separate and distinct from any benefit created by your Annuity Savings Account. The Annuity Savings Account will be distributed to the beneficiary or beneficiaries you named on the your Membership Record or in your most recent change of beneficiary.



***Failure to tell PERF in writing of changes in beneficiary could result in payment being made to a previously named beneficiary who is no longer your choice to receive your Annuity Savings Account balance upon your death.***

## DISABILITY BENEFITS

If you become disabled, the Public Employees' Retirement Fund will provide disability benefits if you:

- *Have five or more years of creditable service under PERF before the termination of salary, employer provided income protection benefits, leave under the Family and Medical Leave Act (FMLA), or worker's compensation benefits; and*
- *Are determined by the Social Security Administration to be disabled, and are receiving salary or employer-provided income protection benefits, or are on leave under the Family and Medical Leave Act (FMLA) as of the onset date established by the Social Security Administration.*

## DIRECT DEPOSIT

*If you are receiving a benefit check from PERF, consider using direct deposit. On the same day each month, the amount of your payment will be deposited electronically directly into the account you specify. You will receive a notice of deposit. Your money cannot be lost or stolen, and there are no delays due to mishandled mail or incorrect addresses. Please contact PERF or download the Direct Deposit form from the website.*



# Section 3

## RETIRING FROM PERF

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*Retirement Checklist*

*PERF sends monthly  
benefits to 56,000  
recipients*

This section of the handbook explains the issues a member applying for retirement will confront, including how the Defined Benefit (pension) is calculated, the normal and early retirement benefits available to members, and the selection of the pension and Annuity Savings Account payment options. Working after retirement and other issues related to being a retired member are covered in Section Four.

### SEPARATION FROM SERVICE

Indiana Code 5-10.2-4-8(c) provides that if a PERF member who is receiving retirement benefits is reemployed in a PERF-covered position within 90 days of the date on which the member's retirement benefit begins, the member's retirement benefits are stopped. However, if a PERF member returns to work as an employee of the same employer, in a position **not** covered by PERF, the 90-day separation from service requirement would not apply, as this section applies only to members who return to work in PERF-covered positions. Regardless of whether the position is or is not PERF-covered, based on previous Internal Revenue Service (IRS) rulings, PERF requires a separation to be at least 60 days to qualify as a true separation from employment for plan distribution purposes. It is important to note, however, that separation from employment requirements do not apply to a PERF member who returns to work for his former employer as a true, independent contractor.

DB

**YOU CANNOT  
RECEIVE A PENSION  
BENEFIT IF YOU  
DO NOT HAVE AT  
LEAST 10 YEARS OF  
CREDITABLE SERVICE**

### CALCULATING YOUR PENSION BENEFITS

#### *Vested Status*

Vested status is the 10 or more years you must work, in one or more covered positions, to receive a benefit from PERF. ***You must be vested to collect a pension.***

#### *Pension Benefit Calculation*

You will begin collecting a lifetime monthly pension benefit after you officially retire from PERF-covered service. The size of the pension portion of your monthly check is calculated using a formula set by law. PERF cannot alter this formula, which uses these three factors:

- ***Final Average Salary***
- ***Creditable Service***
- ***Multiplier of 1.1% (.011)***



The Benefits Calculator on the website ([www.perf.in.gov](http://www.perf.in.gov)) is available to get an idea of how the formula works. You may also obtain a benefit estimate using this calculation once you are within one year of eligibility for early or normal retirement.

### ***Final Average Salary***

***“Final Average Salary” refers to your highest five years of compensation in a PERF-covered position.*** PERF will combine 20 quarters in groups of 4 consecutive quarters (as mandated by law) over your entire PERF- or TRF-covered career. The resulting average in all cases will be the highest possible benefit.

***Additional payments up to \$2,000 made upon termination (for example, pay for unused sick or vacation days) are included in this calculation.***

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### ***Creditable Service***

All creditable service is subject to final certification at retirement. The employer’s governing body or its agent must agree that you were employed full-time (or on an approved leave of absence) and the employer must make the contributions to fund the Defined Benefit (pension) corresponding to your service.

### ***Retirement Date***

Your last day in pay status is generally the date most people think of as the day they “retire.” PERF uses an “effective date” for retirement benefits. The effective date of your retirement benefits can be no earlier than the first day of the month following your last day in pay status.

**EXAMPLE-** *Your last day in pay status is August 2. Your effective date of retirement is September 1.*

## **NORMAL RETIREMENT WITH FULL (UNREDUCED) PENSION BENEFITS**

The calculation of the pension benefit rewards members who have more years of service with the opportunity to retire at an earlier age. There are three ways you become eligible to receive full (unreduced) pension benefits under PERF:

- ***If you are age 65 and have 10 or more years of creditable service under PERF.***
- ***If you are age 60 and have 15 or more years of creditable service under PERF.***
- ***If you are at least age 55 and your age at retirement plus your total years of creditable service under PERF equals 85 or more (known as the Rule of 85.)***

## EARLY RETIREMENT WITH A REDUCED PENSION

PERF also provides early retirement options (assuming you do not yet qualify for full retirement benefits.) Your pension benefit will be reduced based on your age if you take early retirement. You will qualify for early retirement with a permanently reduced pension if:

- ***You have 15 or more years of creditable service under PERF, and***
- ***You are between the ages of 50 and 59.***

Keep in mind that if you choose to take early retirement, your pension benefits will remain at a reduced level even after you reach 60 years of age.

***If you are entitled to early retirement with reduced benefits, the following chart shows how the pension part of the benefit is reduced according to your age:***

RETIREMENT AGE	PERCENTAGE OF PENSION
59	89%
58	84%
57	79%
56	74%
55	69%
54	64%
53	59%
52	54%
51	49%
50	44%



***By law, if you are eligible to receive pension benefits and wait to submit a retirement application, PERF can only pay up to six months of retroactive benefits.***

## DEFINED BENEFIT (PENSION) PAYMENT OPTIONS

DB

One of the most important decisions you will make is choosing your retirement payment option. The payment option you choose will affect the amount of your monthly payment and determine whether or not any survivors or beneficiaries will receive monthly payments after you die. How much you will receive each month in retirement benefits will depend on your wages, how much you have added to your Annuity Savings Account, and how you choose to take payments from your account.

**OPTION 10 - Normal Retirement.** You will receive a monthly benefit for life. If you die before receiving benefits for five years, your beneficiary will receive either your monthly benefit for the remainder of those five years or the present value of those remaining payments in a lump sum. However, if you receive retirement benefits for more than five years, no further benefits will be paid to anyone, including a surviving spouse, after your death.

**OPTION 20 - No Guarantee.** You will receive a monthly benefit for life, but there are no payments to anyone after your death.

**OPTION 30 - Joint with Full Survivor Benefits.** You will be paid a monthly benefit for life. After your death, the same monthly benefit will be paid to your beneficiary for his/her life.

**OPTION 40 - Joint with Two-Thirds Survivor Benefits.** You will be paid a monthly benefit for life. After your death, a monthly benefit in the amount of two-thirds of your benefit will be paid to your beneficiary for his/her life.

**OPTION 50 - Joint with One-Half Survivor Benefits.** You will be paid a monthly benefit for life. After your death, a monthly benefit in the amount of one-half of your benefit will be paid to your beneficiary for his/her life.

**OPTION 61 - Integration with Social Security.** If you retire between the ages of 50 and 62, you may select this option and integrate your PERF benefit with your Social Security benefit. PERF will pay a larger monthly benefit before age 62. At age 62, your benefit will be recalculated. At that time, your benefits could be greatly reduced or terminated depending on your estimated monthly benefit at age 62 from Social Security.

**OPTION 71 - Cash Refund Annuity.** Like Option 10, you will receive a monthly benefit for life. This benefit will be based on your age, salary and service (pension amount) and the amount of money in your Annuity Savings Account. If you die before receiving benefits for five years, your beneficiary will receive either a monthly benefit (pension amount only) for the remainder of those five years, or the present value of those remaining payments in a lump sum. Also upon your death, (whether you die before or after receiving five years of benefits) your beneficiary will receive a single payment of the amount remaining in your Annuity Savings Account.

### IMPORTANT NOTICE (APPLIES TO OPTIONS 10, 20, 30, 40, 50, AND 61.)

*If you and your beneficiary die, you didn't withdraw your Annuity Savings Account at retirement, and the total amount of payments received up to the date of death (including pensions and ASA payments) is less than the balance of the ASA at the time of retirement, then either the member or beneficiary's estate will be paid the remaining Annuity Savings Account balance. Please note that if a total distribution of the Annuity Savings Account is chosen as the payment option, this guarantee does not apply. Also, if a partial distribution of the Annuity Savings Account is chosen, this guarantee only applies to the remaining ASA balance.*

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**Option 71 is not available to members who elect to receive total payment of their Annuity Savings Account upon retirement. However, if the member chooses a partial withdrawal of the Annuity Savings Account (a distribution of the tax basis as of December 31, 1986), Option 71 is available. Please note that your Annuity Savings Account balance is reduced with each monthly benefit paid. Therefore, if you die after the account has been reduced to zero, there will be no Annuity Savings Account distribution to your beneficiary.**

ASA

**Option to Defer Payment: You may elect to defer any withdrawal of your Annuity Savings Account balance. If you choose to do so, your funds will remain invested according to your directions. If you are retired from PERF at age 70 1/2, payment deferral ends and you must choose one of the payment options on the next page.**

## ANNUITY SAVINGS ACCOUNT PAYMENT OPTIONS

Your Annuity Savings Account is the second piece of your two-part retirement benefit. You have received statements tracking this account throughout your career as a PERF member. You may annuitize this ASA. That is, you may take this money in combination with your pension as a lifetime monthly payment. Or you may choose to receive a distribution of the ASA funds when you retire from PERF.

### *Taxation of the Annuity Savings Account*

The decision of how to receive the distribution of your Annuity Savings Account can have significant tax implications, and we urge you to consult with a tax advisor. PERF can explain your options but cannot offer tax advice. The information below is included to aid you and your advisors with federal tax provisions as they apply to PERF benefits.

Any contributions to your ASA made with after-tax dollars are considered “tax basis” because you have already paid taxes on those dollars. Mandatory contributions paid by your employer were not taxed at the time they were paid. Therefore, they do not create “tax basis”. Upon retirement, any after-tax contribution (your tax basis) is reported by PERF as non-taxable on the IRS Form 1099-R issued to retired members and the IRS. However, it is important to note that your tax basis is recoverable under very specific IRS rules. The following briefly outlines the basis recovery rules applicable to your situation.

You can elect to receive a total distribution of your ASA at the same time you begin receiving your monthly pension benefit. However, if you elect to do so, federal tax law does not allow you to immediately recover your entire basis when you receive your ASA. Instead, part of the basis has to be allocated to the monthly pension benefits. The basis allocated to the monthly pension payment is divided up and recovered over a mandatory number of monthly payments, as determined by applicable IRS regulations. Therefore, a portion of each monthly benefit paid to you is non-taxable, for as long as basis remains.

This division of the basis is required because the IRS has issued a letter ruling to PERF concluding that the ASA and monthly pension benefits payable to you do not constitute separate accounts. The consequence of this ruling is that, upon retirement, basis from contributions to the ASA must be partially allocated to your pension benefit, as we have described above. One exception to this basis allocation rule is also relevant: a special provision of federal tax law permits you to immediately recover any tax basis that you may have had in your ASA on December 31, 1986. The post-1986 basis, however, must be allocated to your monthly retirement benefits.

**Payment Option 1.** You may elect to receive as part of your monthly benefit the total amount of your Annuity Savings Account. If you choose this option, you will not receive any other distribution from your Annuity Savings Account other than the lifetime monthly benefit payment.

**Payment Option 2.** You may elect a total distribution of the taxable and the December 31, 1986 tax basis portions (if applicable) of your Annuity Savings Account.

**Taxable Portion**

- A. You may elect to have **all** of the December 31, 1986 tax basis portion of your Annuity Savings Account paid in the form of a **direct rollover** into an eligible 401(a), 403(b) or governmental 457(b) plan or Traditional IRA which has provisions allowing it to accept the rollover on your behalf. This option defers any taxes owed on your ASA balance.
- B. You may elect to have the total amount of the taxable portion (less the mandatory withholding for federal income tax) **paid directly to you**.
- C. You specify an amount to be paid as a partial rollover of the taxable portion of the Annuity Savings Account into an eligible 401(a), 403(b) or governmental 457(b) plan or Traditional IRA. The amount will be paid in the form of a **direct rollover** into the plan. The remainder of the taxable portion of your ASA not directly rolled over (less the mandatory withholding for federal income tax) will be **paid directly to you**. If you select this option, you must enter the amount of the partial rollover in the space provided on the application.

**December 31, 1986 Tax Basis**

- A. You may elect to have **all** of the 1986 tax basis portion paid in the form of a **direct rollover** into an eligible Defined Contribution Plan or Traditional IRA which has provisions allowing it to accept the rollover on your behalf.
- B. You may elect to have the total amount of the December 31, 1986 tax basis **paid directly to you**.
- C. You specify an amount from the pre-December 31, 1986 tax basis to be paid in the form of a direct rollover into a Defined Contribution Plan or Traditional IRA. The remainder of the December 31, 1986 tax basis not directly rolled over will be paid directly to you. If you select this option, you must enter the amount of the partial rollover in the space provided on the application.

**Payment Option 3.** You may elect to receive a distribution in an amount equal to your December 31, 1986 tax basis in your Annuity Savings Account, and to receive the balance of the account as a monthly benefit. The December 31, 1986 tax basis consists of the post-tax contributions made to your ASA prior to that date.

- A. You may elect to have **ALL** of the December 31, 1986 tax basis paid in the form of a Direct Rollover into an eligible Defined Contribution Plan or Traditional IRA which has provisions allowing it to accept the rollover on your behalf.
- B. You may elect to have the total amount of the December 31, 1986 tax basis **paid directly to you**.
- C. You specify an amount from the pre-December 31, 1986 tax basis to be paid in the form of a direct rollover into a Defined Contribution Plan or Traditional IRA. The remainder of the December 31, 1986 tax basis not directly rolled over will be **paid directly to you**. If you select this option, you must enter the amount of the partial rollover in the space provided on the application.

## TAX WITHHOLDING

PERF is required by law to withhold 20% for federal income taxes for any part of the eligible roll-over distribution that is not directly rolled over. You will have to pay federal and state income taxes on this taxable portion.

## DESIGNATING A BENEFICIARY ON THE APPLICATION

You may name only one beneficiary if you select any of the joint with survivor benefit options (30, 40, or 50). You may name a person, trust, your estate, or other legal entity as beneficiary if you select retirement options 10, 61, or 71. If you name more than one beneficiary, any benefits due upon your death will be prorated among your beneficiaries.

You will receive a monthly benefit for life under each retirement payment option. Several of the options provide for further payments to your beneficiary or beneficiaries.

Changing beneficiaries after retirement has different procedures and restrictions (see Section Four).

## RECEIVING MONTHLY BENEFITS WHILE CONTINUING TO WORK

### F

#### *At Age 70 With 20 Years of Service*

You may begin receiving retirement benefits while continuing to work in a PERF-covered position if you are age 70 and have at least 20 years of creditable service. A member who chooses to begin receiving monthly retirement benefits while working in a PERF-covered position cannot earn additional service credit towards retirement, but may continue to make contributions to their ASA.

### F

#### *Special Provisions for Those in Elected Office*

You can begin receiving retirement benefits while continuing to work in an elected position if:

- ***You are in an eligible elected position covered by PERF (either by election or appointment),***
- ***You have turned age 55, and***
- ***You have 20 or more years of creditable service.***

If you are receiving monthly retirement benefits and are elected or appointed to an eligible elected position covered by PERF, you may continue or discontinue your retirement benefits while in office. If you continue your benefits, you will not earn additional service credit, and you may **choose** to make Annuity Savings Account contributions, but are not obligated to do so. If you discontinue retirement benefits, mandatory 3% contributions must be made to your ASA, and you will earn additional service credit.

## RETIREMENT CHECKLIST

The information here gives a timeframe for the steps you will take to begin collecting PERF retirement benefits. As you move through the process, you will have to make several decisions that will impact the amount of your lifetime monthly benefit.

- ☐ *Decide what day will be your last day of work in your PERF-covered position.*
- ☐ *Make sure the date you choose to retire is after you have reached any minimum age and service requirements for PERF benefits.*
- ☐ *Submit an estimate request form to PERF to receive an official estimate of benefits.*
- ☐ *Use the Benefits Calculator on the PERF website to approximate your retirement benefit. Although this calculation is not as accurate as an official estimate of benefits, it will help you understand how various options will affect your retirement.*
- ☐ *Become familiar with the retirement options discussed earlier and discuss your plans with your family members and trusted advisors.*
- ☐ *Call to schedule an appointment with a retirement counselor at the PERF offices in Indianapolis. Due to the volume of requests, PERF can only offer retirement counseling to those members within one year of eligibility. We highly recommend you take advantage of this important service.*
- ☐ *Fill out the Retirement Application packet, as well as tax forms and a direct deposit form, if desired. Send the Retirement Application to PERF up to six months before your anticipated retirement date. At the appropriate time, PERF will work with your employer to verify your separation from service and validate your service credit.*
- ☐ *Look forward to your first check.*



# Section 4

## AFTER RETIREMENT

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*PERF pays more  
than \$366 million  
in benefits annually*



## A FAMILY MATTER

While all of these questions are not directly related to PERF membership and benefits, you will help assure peace of mind if you can answer “yes” to the following:

***Do you review your financial obligations and resources with your family?***

***Does your family know what your PERF benefits are, and what will or will not change in the event of your death?***

***Is your family aware of how your money is managed, such as bank accounts, investments, and insurance policies?***

***Are your records complete, including contact numbers for your bank, PERF, and any insurance agents or companies? Are they organized so someone else can refer to them?***

***Are children or others you count on involved in money matters that affect them? Is someone you trust in a position to help manage your family's finances should the need arise?***

## TAX FORMS AND WITHHOLDING

Each year, PERF mails 1099-R forms to all benefit recipients by January 31. The 1099-R form is much like a W2 form. It lists the total amount of benefits received during the year. It also shows the taxable and non-taxable amounts. PERF can also withhold Indiana and Federal taxes. If you did not complete tax withholding forms at the time of your retirement, you may do so at any time. To complete the tax forms, you simply indicate the dollar amount that you want withheld.

PERF can withhold Federal tax based upon your marital status and the number of exemptions claimed. State and Federal tax forms are available from the PERF office. You may call or write to request them.

## DIRECT DEPOSIT

You may choose to have your retirement benefits directly deposited into the account of your choice each month. That way your check cannot be late, lost, or stolen. If you change banks, or change your mind, you can stop direct deposit at any time, or start again at a new bank.

**F**

***If you change account numbers with the same bank, simply send written confirmation of the number to PERF. If you change banks, call or write PERF or download a direct deposit form from the PERF website.***

## LOST CHECK REPLACEMENT

If you are not using direct deposit and have not received your check by the 25th of the month, contact the PERF office. We can begin the replacement process no sooner than 10 days after the monthly benefit checks were mailed.

***As soon as you contact PERF, you will be sent a Lost Check Affidavit to sign, have notarized and return to the fund. PERF will then issue a replacement check. Using direct deposit eliminates the risk of lost checks.***



## DEATH OF A MEMBER

When a member dies, PERF must be notified to stop the member's benefit payments and make payments to the appropriate beneficiaries. PERF needs a copy of the death certificate, including the retiree's name, social security number and date of death. The family may keep the check received in the month the member dies, but return any subsequent payments to the Fund. ***Please mail or fax a copy of the death certificate to PERF.***

### *Surviving Beneficiary*

Once PERF has verified the retiree's death, the surviving beneficiary will be notified of any necessary action that may be needed on their part in order to start receiving their benefit.

***For this reason it is very important that you keep PERF informed of your beneficiary's current address.***



### *Declining or Passing Through a Benefit*

Indiana law allows a beneficiary to decline a bequest if they feel it is in their interest to do so. The law also determines how the bequest will be handled if the beneficiary declines it. For more specific information on your situation, please contact PERF directly.

## CHANGING YOUR BENEFICIARY AFTER RETIREMENT

***Once you have named a beneficiary or beneficiaries on your Retirement Application and processing is completed, you can change that designation only in limited circumstances, depending on the option you chose. Be certain of which option your benefit is being paid under, then check the chart on the next page to find out the changes you are entitled to make.***



## After Retirement

### OPTION 10, 61, OR 71 AT RETIREMENT

*You may change your beneficiary up to five years from the effective date of your retirement.*

### OPTION 30, 40, OR 50 AT RETIREMENT

*You cannot make a change as long as your beneficiary is alive (with the exceptions shown below). You may not change your beneficiary in the event of a divorce.*

### YOU WERE SINGLE AT THE TIME OF RETIREMENT AND THEN MARRY.

*You may change your beneficiary to name your spouse if your current spouse was not the beneficiary.*

### OPTION 30, 40, OR 50 AT RETIREMENT AND YOUR BENEFICIARY DIES FIRST.

*You may name a new beneficiary, or change to retirement Option 20.*

For options 30, 40 and 50, you must furnish a copy of your spouse or beneficiary's death certificate, and, in the case of marriage, a copy of your marriage license. PERF will also need the birth certificate of your new beneficiary. Please note that changing your beneficiary may have a significant impact on your monthly benefit.

## WORKING AFTER RETIREMENT

You are entitled to go back to work after you retire and continue receiving PERF retirement benefits. If you are returning to a position covered by PERF, you must have a separation of employment from any PERF-covered position for a period of at least 90 days from your effective retirement date.



***Members who have retired from another Indiana public pension fund (such as the 1977 Police Officers' and Firefighters' Pension & Disability Fund) must also meet this 90-day separation from service requirement before taking a PERF-covered position with the same employer.***

### Receiving Monthly Benefits While Continuing to Work

If you are age 70 1/2 and have at least 20 years of creditable service, you can begin receiving retirement benefits while continuing to work in a PERF-covered position. A member who chooses to begin receiving monthly retirement benefits while working in a PERF-covered position cannot earn additional service credit towards retirement.

## ***Earnings Limitation for Re-Employed Retired Members***

You always have the option of working after you retire. However, under certain circumstances, you may be subject to an earnings limitation by law. This applies only to retirees who are younger than the Social Security normal retirement age and become re-employed in a position covered under PERF. If you have reached that age or are not working in a position covered by the fund, you are entitled to continue receiving your monthly benefits while re-employed.

- ***Retired members who are at or older than the normal Social Security retirement age will receive their full benefit payments no matter how much they earn in a covered position.***
- ***Retirees younger than the Social Security normal retirement age who become re-employed in a position covered under PERF may earn up to \$25,000 in gross wages per calendar year before an earnings limitation is applied and benefits are suspended.***

You should notify PERF as you approach the earnings test. If benefits are paid after the ceiling has been reached in a given year, these benefit overpayments must be returned to PERF.

If you reach the earnings limitation in one year, and your benefits are suspended, your PERF benefits will begin again in January of the following year. The earnings limitation applies each year until you reach the normal Social Security retirement age. At that time, the earnings limitation no longer applies and you would have no limit on the amount you earn.

***If you are re-employed in a covered position, regardless of age, you will be re-enrolled in the Fund and your employer will be required to make Defined Benefit contributions for your position.***



If you are over the normal Social Security retirement age, the 3% Annuity Savings Account contribution is voluntary, whether paid by you or by your employer. If you are under retirement age, the 3% contribution becomes mandatory after your gross wages reach \$25,000.

When you leave your new position, a second retirement benefit will be calculated and added to the original benefit at the time you retire from re-employment. You can submit an application for retirement benefits within six months of your effective date to receive benefits.

*Notes*

